



Sustainable Finance: The Trade Finance Opportunity

Possible by the Support of

Citi Foundation



THE WORLD BANK



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NETWORK**

Sustainable Finance: The Trade Finance Opportunity



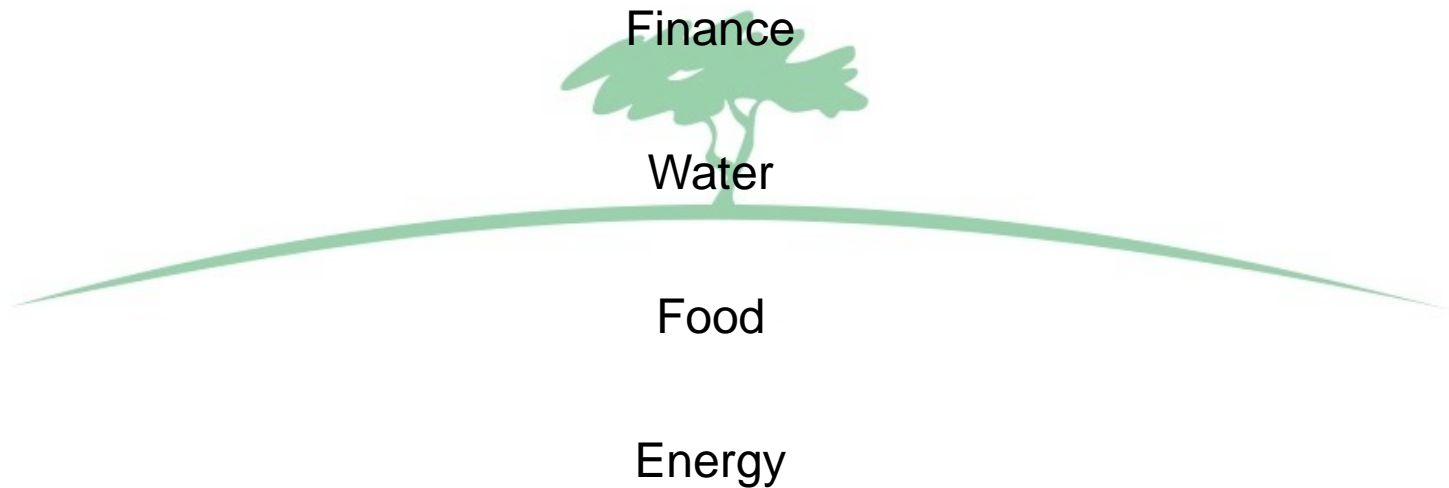
PRESENTATION

*Miguel Martins, Sustainability
Specialist, IFC Financial Markets
Sustainability Group*

SUSTAINABLE FINANCE: THE TRADE OPPORTUNITY

Washington, DC
March 17, 2009

Our “Brave New World”



Sustainable Supply Chains



Environmental Regulations

Labor Standards

Energy Costs

Government and Consumer Demands

*Typical growth rates (...) for organic food sales in the US eased in the second half of 2008 (...)
I'm not convinced that we are going to see big declines in organics any time soon*

The Nielsen Co, USA

When you buy organic you believe it is inherently better for you and the planet. So people are becoming more introspective about what they eat. There is growth in this category. It is just less than what it was.

Wholefoods, USA

*For the moment, sales are keeping up, consumers are still interested and demand is rising (...)
although growth rates are less spectacular.*

Agence Bio, France

*About 20% of organic food sales are vulnerable, being bought by "light green" purchasers (...)
These contrasted with the "deep greens" who make up 80% of demand and are committed to the benefits for health and the environment."*

Soil Association, UK



Facts

Access to Finance

Role of Traders

Access to Technical Skills

The New “Player” on the Block



The 3 W's





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PRESENTATION

***Eric Swanson, Managing Director,
Conservation Finance WWF-US***



Sustainable Trade Finance



Presentation

- WWF Background:
 - Market Transformation & Investment Criteria
 - Conservation Finance
- Examples: LA-IFC, Galapagos/Suppliers, AFD/Thailand
- Lessons Learned



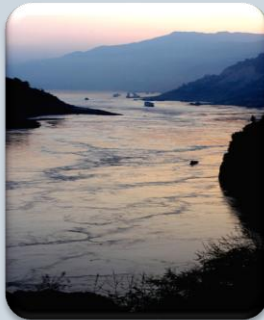
Market Transformation Program



Forestry



Fisheries



Freshwater



Banking



Agriculture



Aqua-culture

Markets

Priority Places

Policies



Banking and Investment Strategies

- Focus on mainstream commodities.
- Use finance and financial institutions to promote sustainable production and trade.
- Standards (FSC, RSPO and others) are a critically important entry point.
- Need to provide financial institutions clear investment guidance (not “process” information).
- Very significant growth in interest from FIs to engage in this area.



Conservation Finance



- *Sustainable capital* part of range of Conservation Finance mechanisms (incl. trust funds, debt swaps, carbon finance, water funds, compensation funds, and tourism revenue).
- New project: AFD \$50 MM for Thai tourism accommodation:
 - Subsidized credit facility (soft loans)
 - Standards to reduce impacts and protect biodiversity
 - Administered through local bank
 - Loans for new and/or renovation projects, also practices



Sustainable Trade Finance

- Peru, Bolivia (loans for forest producers)
- USAID Asia pension fund project
- Public (GAA) loans and sustainable resource use
- Galapagos (fishing loans gone bad)
- Asian Conservation Corporation (equity)



Sustainable Trade Finance

- Lack of correct infrastructure to supply, monitor loans.
- Investors decline to invest (uncertainty, risk).
- Loans can be used to advance illegal, poor practices.



Thank You



Sustainable Finance: The Trade Finance Opportunity



PRESENTATION

*Bruce Schlein, Vice President,
Corporate Sustainability Unit, Citi*

Why Environmentally and Socially Responsible Finance? Citi Approach and the Role of Standards

GFTN-FAST Sustainable Trade Finance Conference
Bruce Schlein, Corporate Sustainability
March 17, 2009



Citizenship at Citi

The positive impact that Citi has on society and the environment through:

- **Our core business activities**
- **Our philanthropy, volunteerism and public policy engagement**

The Corporate Sustainability unit works across business and operational units to:

- **Develop sustainability strategies (e.g. advancing **industry standards**)**
- **Support and advise the business and operational units on sustainability initiatives**
- **Engage with external stakeholder groups/NGOs**

Operations and Technology

LEED/Energy Star

- **44 LEED (or LEED equivalent in geographies where LEED is not available certified projects in 2008**
- **Collaborated with US Green Building Council to establish volume build standards for commercial retail interiors.**
- **38 branches, 3 office buildings, and 3 data centers, including first-ever LEED Platinum data center, in Frankfurt, Germany**
- **Absolute goal to reduce GHG emissions from electricity use by 10% of our 2005 baseline by 2011**
- **Environmental database developed in 1999, tracks energy consumption of 16,000 facilities worldwide**
- **Purchased 130,600 MWh of green power for our operations in 2008**
- **Partnership with National Arbor Day Foundation to plant a tree for each customer that switches to paperless statements (1.2 million trees planted in 2007)**

Environmental and Social Risk

Equator Principles and Carbon Principles



- **Co-developed by Citi in 03, revised 06; based on standards of the World Bank and the IFC**
- **Citi expanded beyond project finance into a comprehensive Environmental and Social Risk Management Policy**
- **64 FIs are signatories, including recently the Industrial Bank of China, Arab-African International Bank (Egypt) and Standard Bank Group (South Africa)**



- **Announced Feb 2008, enhanced due diligence framework for U.S. power financing**
- **Purpose is to manage climate change risk in electric power finance in the U.S., and to bring energy efficiency, renewables, and carbon pricing into analysis**
- **Advisors included environmental groups and power companies**

Citi Foundation Partners

Sustainable Enterprise



Microfinance and Energy Services

Research/Establishment of Arc Finance



- MFIs can finance clean energy and also offer mitigation projects (microsavings and microinsurance)
- Roughly 1.6 B people do not have access to electricity and 2.5 B access to clean cooking options
- With affordable clean energy options, that do not require access to an electricity grid, the poor can achieve: improved health, more time for education, access to clean water, and a better environment to live in.
- Arc established to address: 1) high up-front cost of energy systems; 2) lack of energy enterprises that have products tailored to the poor; and, 3) lack of access to financing for the systems





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PRESENTATION

*Miguel Zamora, Category Manager,
Coffee & Beverages, TransFair USA*



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Sustainable Finance for Coffee

Miguel Zamora
Senior Manager, Coffee Category

TransFair USA
March 17, 2009



FAIR TRADE CERTIFIED™

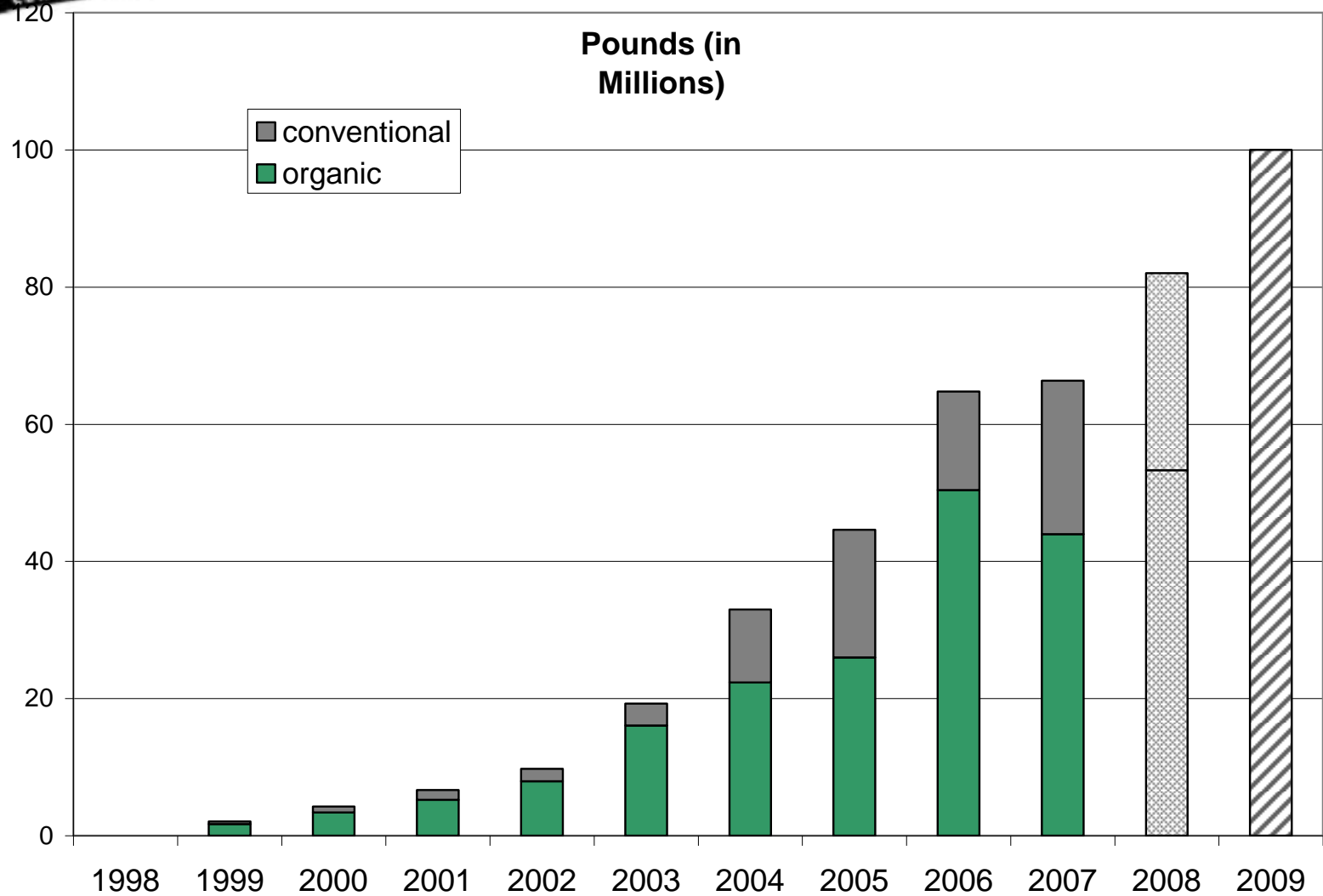


Fair Trade and TransFair USA

- FTC – market based approach
- Born from producers need to access better markets
- Cutting middle man, long term relationship
- Producer organizations and co-ops – supporting economic and social development
- TF USA - 3rd party certifier of Fair Trade products
- Over 1 million coffee producers
- U.S. market: 23 countries and 50% of volume
- Leader certification in U.S. for coffee



FAIR TRADE CERTIFIED™

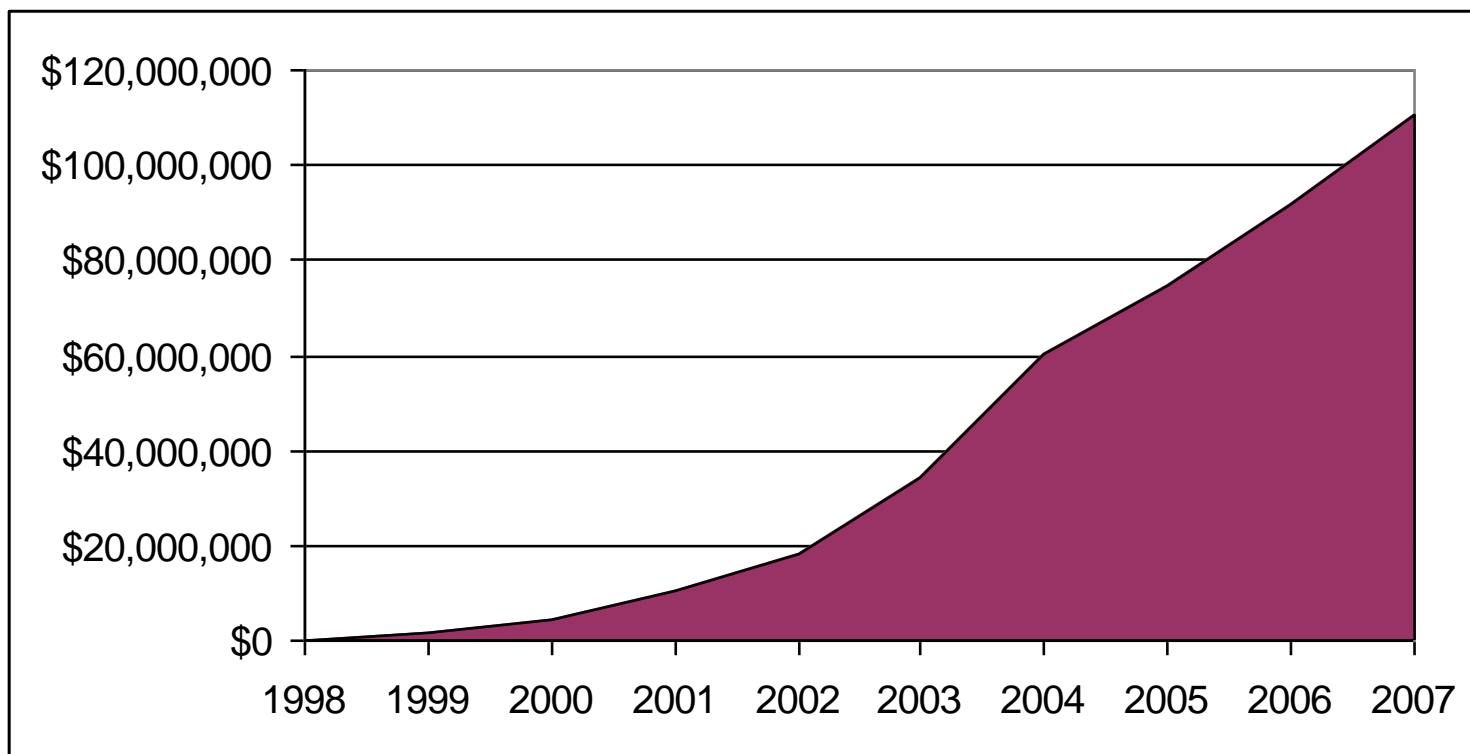




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Additional income to farmers





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The Economic Crisis

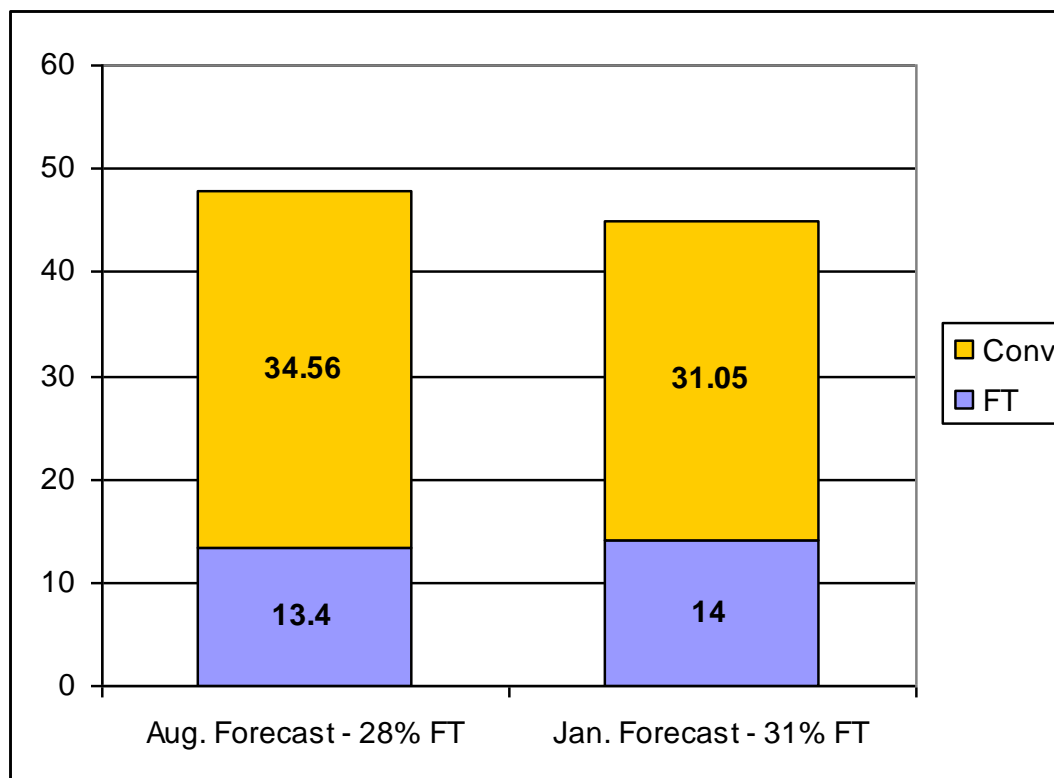
- **Industry View** (ICO Report from February)
Food staple - small fraction of consumer spending
Consumers are buying coffee for at-home use more.
- **GMCR View**
More conservative in growth projections.
Sales data shows consumers are buying more Fair Trade



FAIR TRADE CERTIFIED™



FY09 Forecast in Millions of Pounds Purchased





FAIR TRADE CERTIFIED™



Need for Financing

- Infrastructure
 - Quality improvement and control
- Commercialization capacity
- Export capacity
- Buying the harvest
 - Avoiding intermediaries “coyotes”
 - Paying higher prices
 - Unfair competition
 - Providing cash advance to producers
 - Providing support to producers outside of harvest



FAIR TRADE CERTIFIED™



Need for Financing

- Prodecoop (Nicaragua)
 - 2,000 members
 - 4 million lbs of coffee
 - 4-5 million lbs to pre-finance harvest
- Coopetarrazu (Costa Rica)
 - 2600 members
 - 12 million lbs of coffee
 - US\$ 15 million to pre-finance harvest (looking for 20 M for 09-10 harvest)



FAIR TRADE CERTIFIED™



Financing

- Major issue for producers
- 60% of contracts – pre-financed by buyers
 - Challenging to meet for buyers
 - Provides great support to producer organizations



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PRESENTATION

*Adriana Madrigal, Senior
Investment Officer, Verde Ventures,
Conservation International*

Verde Ventures: Financing for Sustainable Coffee Producers



Adriana Madrigal



CI Mission

To inspire and help societies manage nature's assets for the equitable benefit of current and future generations.



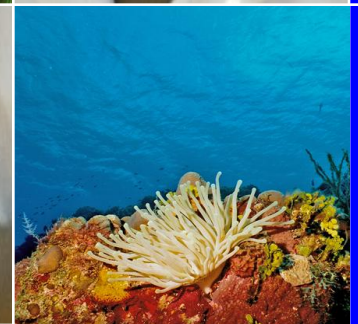


The CI Approach:

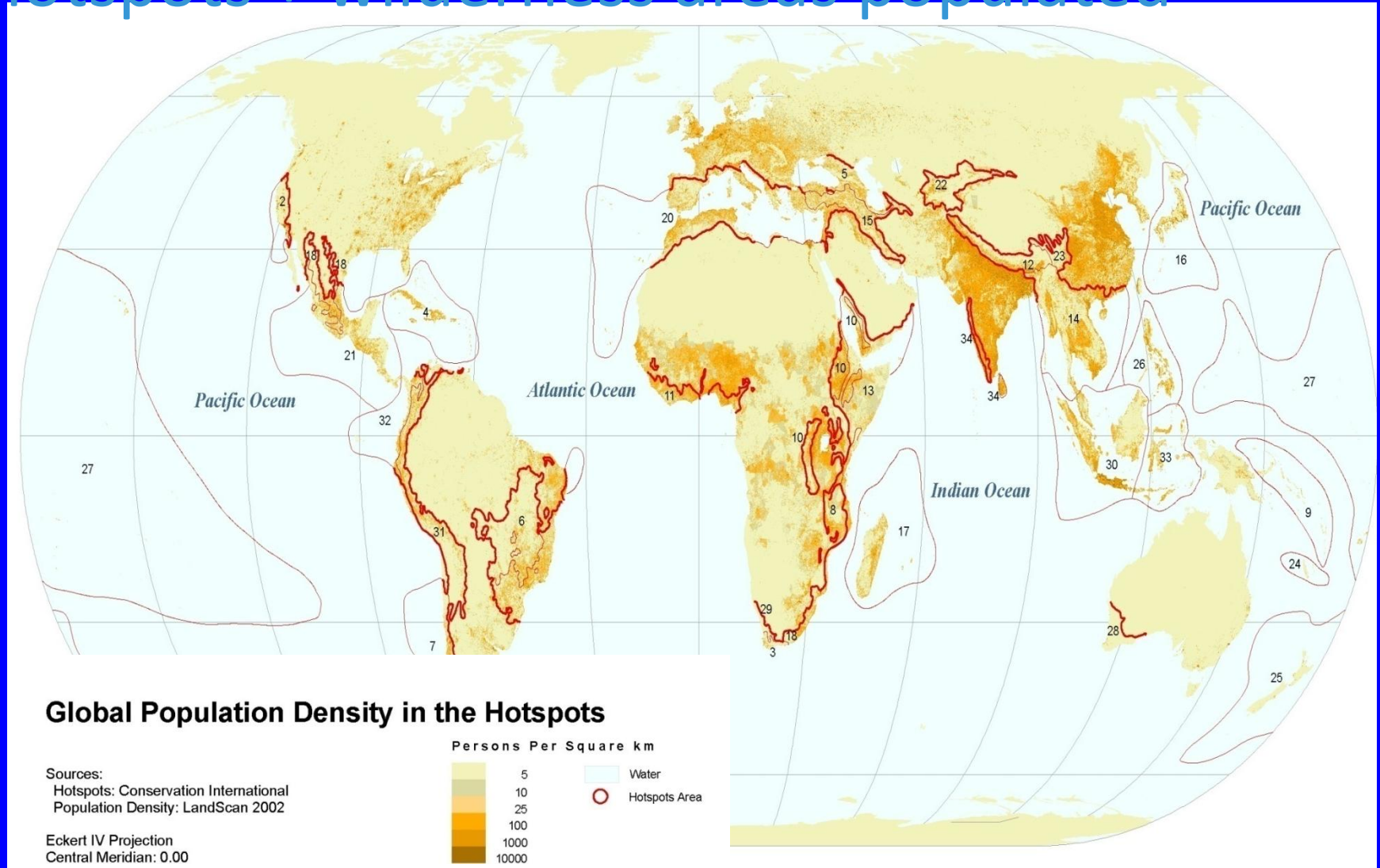
Science

Human Well-being

Partnerships



hotspots + wilderness areas populated





What are the Economic
Benefits of Conservation
for the Rural Poor?

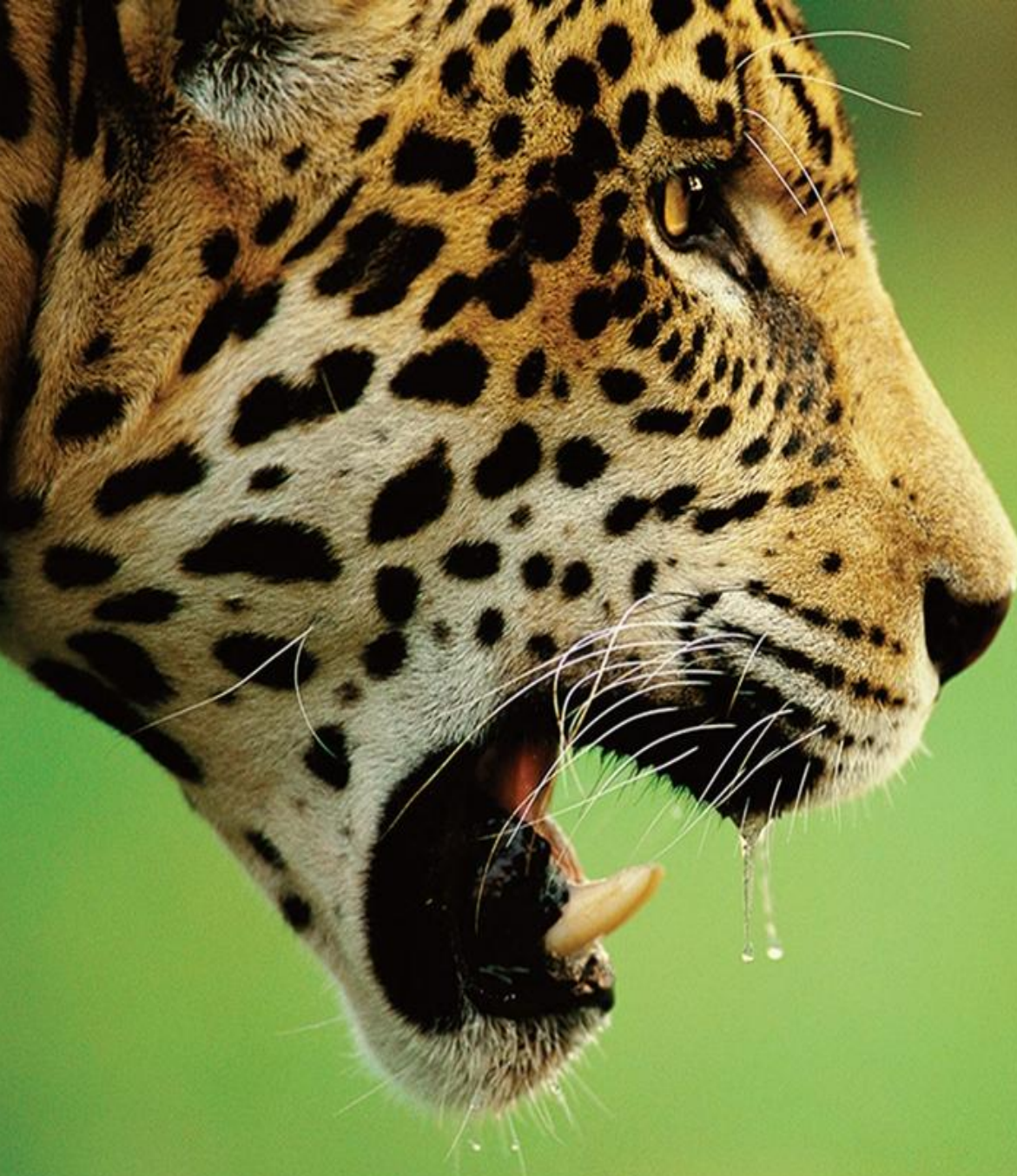
Verde Ventures Invests in Eco-Entrepreneurs

Sustainable Jobs, Need
Sustainable Financing



Our Approach

- **SME Loans:** US\$30,000 to \$500,000 for infrastructure, working capital, trade finance for business development in rural communities.
- **Technical Assistance :** Accounting, marketing, business plan development
- **Monitoring:** Triple-bottom line monitoring (Environmental, Social and Financial)



Program Summary

3 main investors

\$13 million invested

65 loans, 13 countries

95% repayment

57,000 direct rural
beneficiaries

7.3 million acres

189 Red-listed species

\$32 million in sales
generated by clients

Investment Sectors

Sustainable Coffee and Cocoa
(70%)

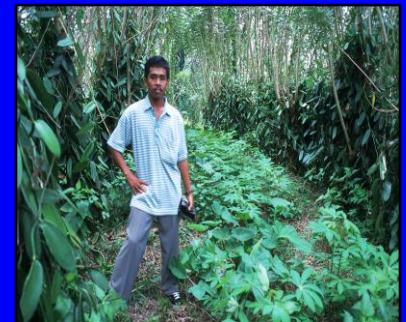


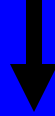
Nature-based Tourism (15%)



Other Sectors: (15%)

- Non-timber forest products
- Wildlife dependent markets



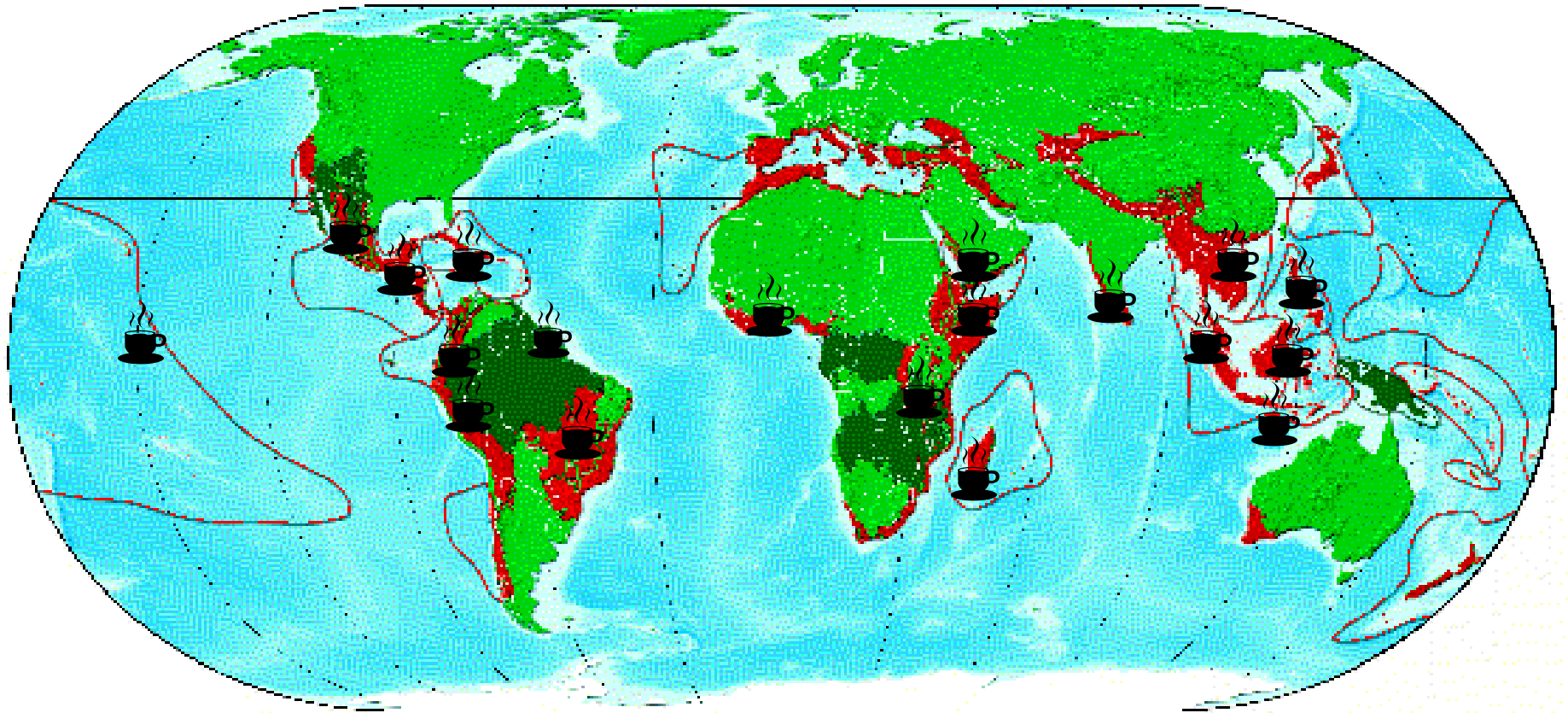


Conservation Coffee

Why Coffee?

- Coffee production is a threat and a conservation opportunity





Coffee Growing Regions and Key Ecosystems

Conservation Coffee

Why Coffee?

- Huge demand for capital
- Economic benefits=conservation incentive



Conservation Coffee Impacts

- \$10.5 million invested in Conservation Coffee™ and coffee suppliers

Impacts:

- Over 40,000 acres under improved management
- Over 8,000 direct employees of businesses supported /small farmers
- 95% repayment rate



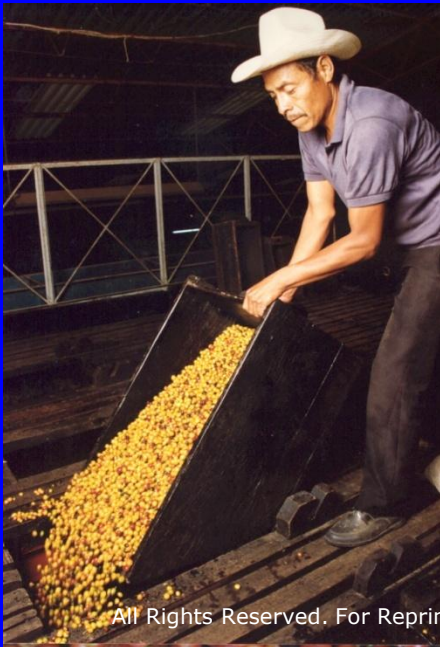
Type of Financing



■ **Long Term:**
infrastructure,
equipment and
crop maintenance

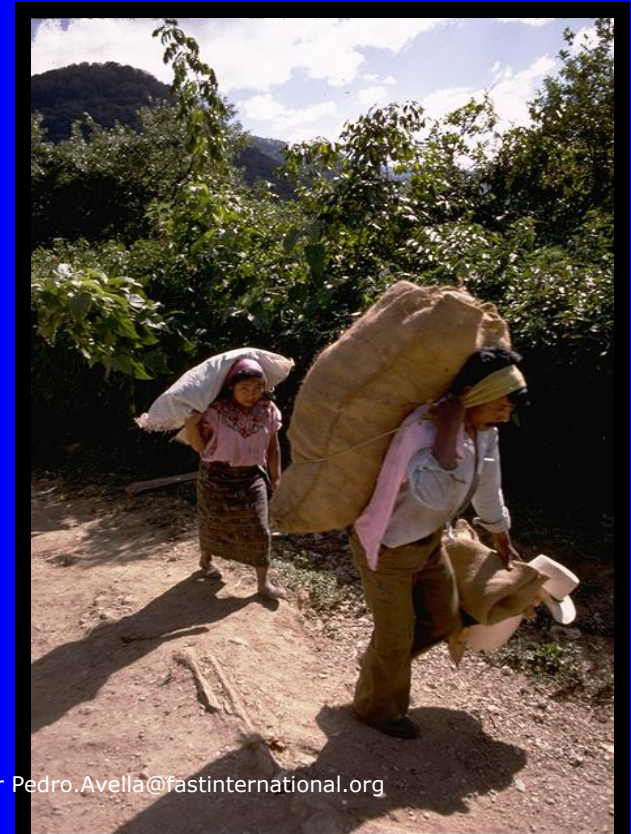


■ **Short Term / Trade
Finance:** working
capital, harvest
finance.



Challenges

- Transaction Costs
- Strength of Cooperative Structure
- Business Capacity
- Risk and Lack of Collateral
 - *(need for guarantee facilities and insurance)**
- Respond to pre-harvest finance
 - Need more flexible contracting
 - Flexible, affordable guarantee facility



Key Lessons

- Modest return (high transaction cost + affordable interest rate)
- Strategic use of **grant funds** with investment capital can greatly enhance project's success.
- Direct **financial incentives** (e.g. access to more capital, interest rate reductions) should be used to further improve conservation returns on investment.
- **Guarantee** funding is crucial in early stages



- Triple bottom line (environmental, social and financial) **monitoring** is crucial yet expensive.
- Demonstrating **bankability** of conservation SMEs to traditional investors is key to achieve scale.
- Investment capital in the **US\$30,000 to \$500,000** range can be effectively used to achieve conservation, social and financial returns.
- The types of jobs created are essential for generating support for a nature based economy.

Mainstreaming Sustainable Coffee Financing (?)

- Recognition that scalability must occur with commercial banking and private equity sectors.
- **Supply:** Financing incentives needed to encourage banks to lend to sustainable SMEs.
- **Demand:** Maturation of specific sectors to become bankable- partially through help of boutique, blended (loan/grant) capital and technical assistance.



Verde Ventures



Please visit us:
www.conservation.org/xp/verdeventures

Thank You!





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PRESENTATION

*Noemi Perez,
Executive Director, FAST*

PROVIDING ACCESS TO FINANCE



Conference: The Trade Finance Opportunity

Noemi Perez, Executive Director

Finance Alliance for Sustainable Trade (FAST)

Washington, D.C. March 17, 2009



Building Businesses and Livelihoods through Sustainable Trade Finance.

GLOBAL CONTEXT

“The commitment to reducing extreme poverty by half by the year 2015 necessarily implies attention to the primary commodity problem.”

UNCTAD Least Developed Countries Report, 2002



Photo by Worldbank

GROWING OPPORTUNITIES IN COMMODITY MARKETS

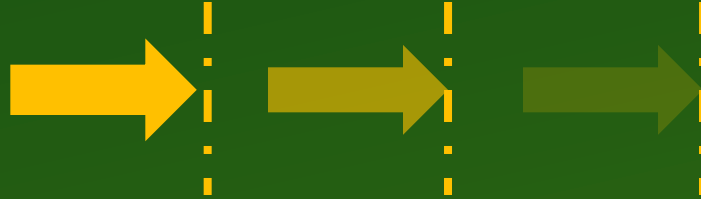
- + New specialty markets
- + Opportunities for vertical and horizontal diversification
- + Growth of “sustainable markets”

→ *Offer possibility of more stable trading relationships including:*

- + Higher returns
- + More predictable economic relationships, fewer risks
- + Closer integration within supply chain decision making



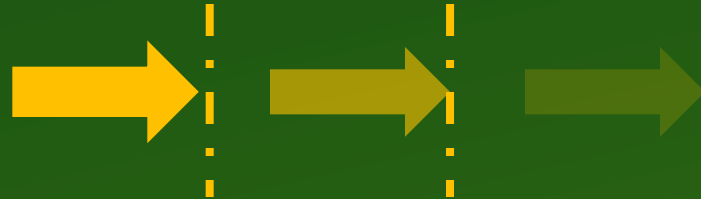
KEY BARRIERS TO MARKET ENTRY



- + Poor Market Information
- + Inadequate Physical Infra-structure
- + Under-developed Management Capacity
- + Low Savings and Capital**

Finance can play a central role in overcoming these
“natural” market barriers

KEY BARRIERS TO MARKET ENTRY



- + Poor Market Information
- + Inadequate Physical Infra-structure
- + Under-developed Management Capacity
- + Low Savings and Capital**

Finance can play a central role in overcoming these
“natural” market barriers

THE SPECIFIC NEED FOR FINANCE

+ Pre-finance:

to cover inputs into production prior to harvest

+ Trade credit:

to enable SSMEs (producer organizations) to buy on credit to produce and sell on international markets

+ Term loans:

to enable SSMEs (and farmers) to invest in infrastructural improvements



Building Businesses and Livelihoods through Sustainable Trade Finance.

THE OPERATION OF TRADITIONAL FINANCE FOR COMMODITY PRODUCTION

Challenges:

Buyers :

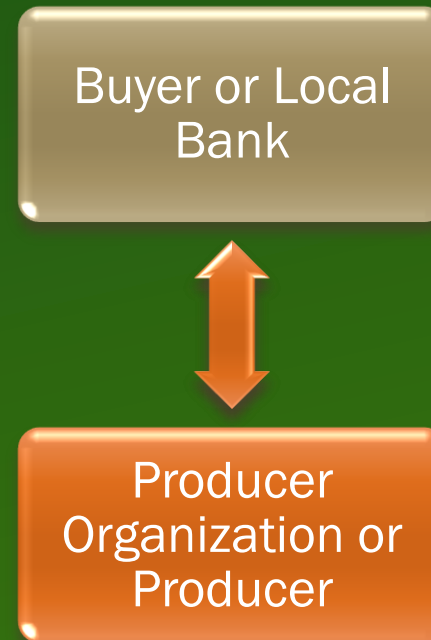
- don't have lender expertise; have limited capital and are non-neutral

Local Banks:

- don't have a tradition or infrastructure to deal with producers; transaction costs too high; require physical collateral

Producers:

- don't have experience or expertise in dealing with traditional banking sector; lack of collateral



THE OPERATION OF SUSTAINABLE SME TRADE FINANCE FOR COMMODITY PRODUCTION

Buyer

1. Places order *for sustainable products*

Social Lender

2. Provides finance to producer (*financed by social investment*)

Producer Organization

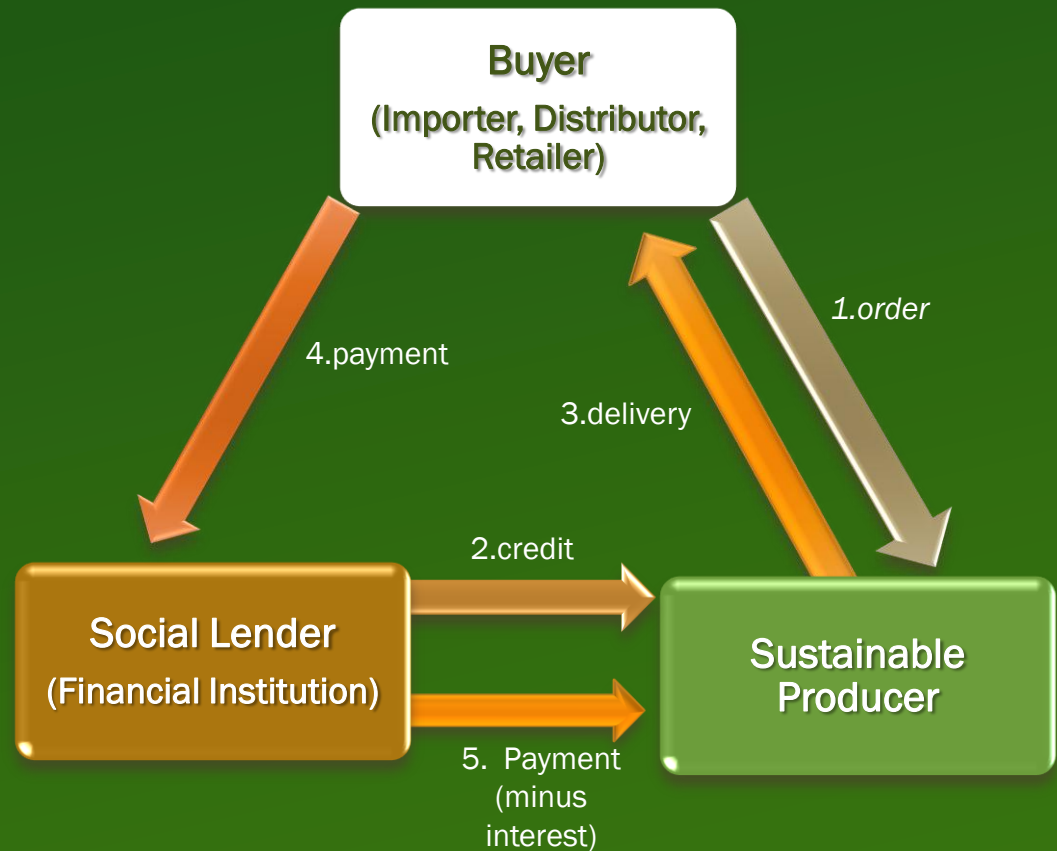
3. Delivers goods to buyer *produced through recognized sustainable practices*

Buyer

4. Pays the social lender

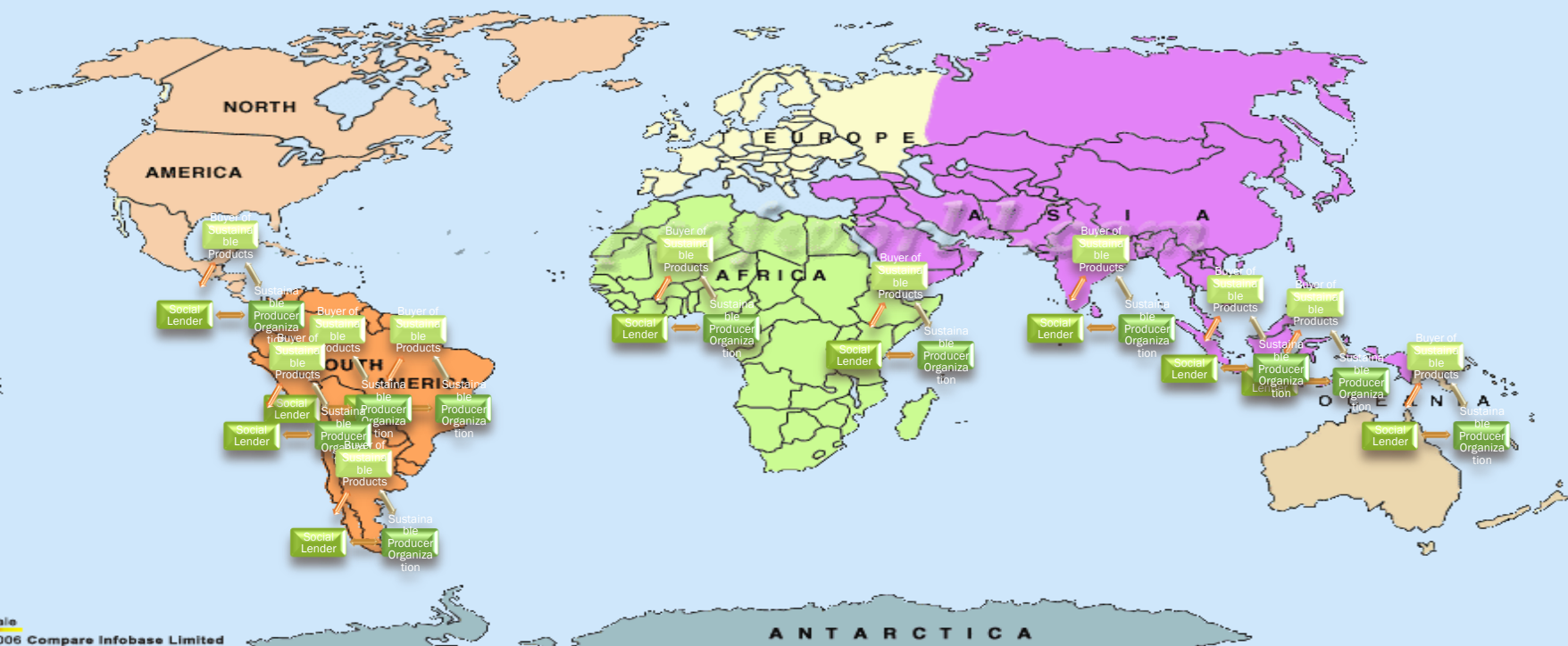
Social Lender

5. Pays the producer minus interest





Continents of the WORLD



THE OPERATION OF SME TRADE FINANCE FOR COMMODITY PRODUCTION



Building Businesses and Livelihoods through Sustainable Trade Finance.

HISTORY OF FAST

- + Social Venture Network (SVN) and the Sustainable Commodity Initiative (SCI) convened working groups in parallel from 2002-2005
- + SCI brought the initiatives together in 2006, Decision to form an association; Steering committee established
- + Association “soft launched” May 2007
- + Office Set-up and Incorporation January 2008
- + Recruitment of Members into the Association May 2008



Building Businesses and Livelihoods through Sustainable Trade Finance.

ORGANIZATIONS INVOLVED

- + International Institute for Sustainable Development (IISD)
- + Rabobank
- + Citi Foundation
- + Montreal International
- + Root Capital
- + Conservation International
- + CORDAID
- + Solidaridad
- + Transfair
- + Calvert Foundation



Building Businesses and Livelihoods through Sustainable Trade Finance.

FAST'S MISSION

FAST ensures the continued growth of sustainable production and trade by increasing the number of producers in developing nations who successfully access affordable trade finance.

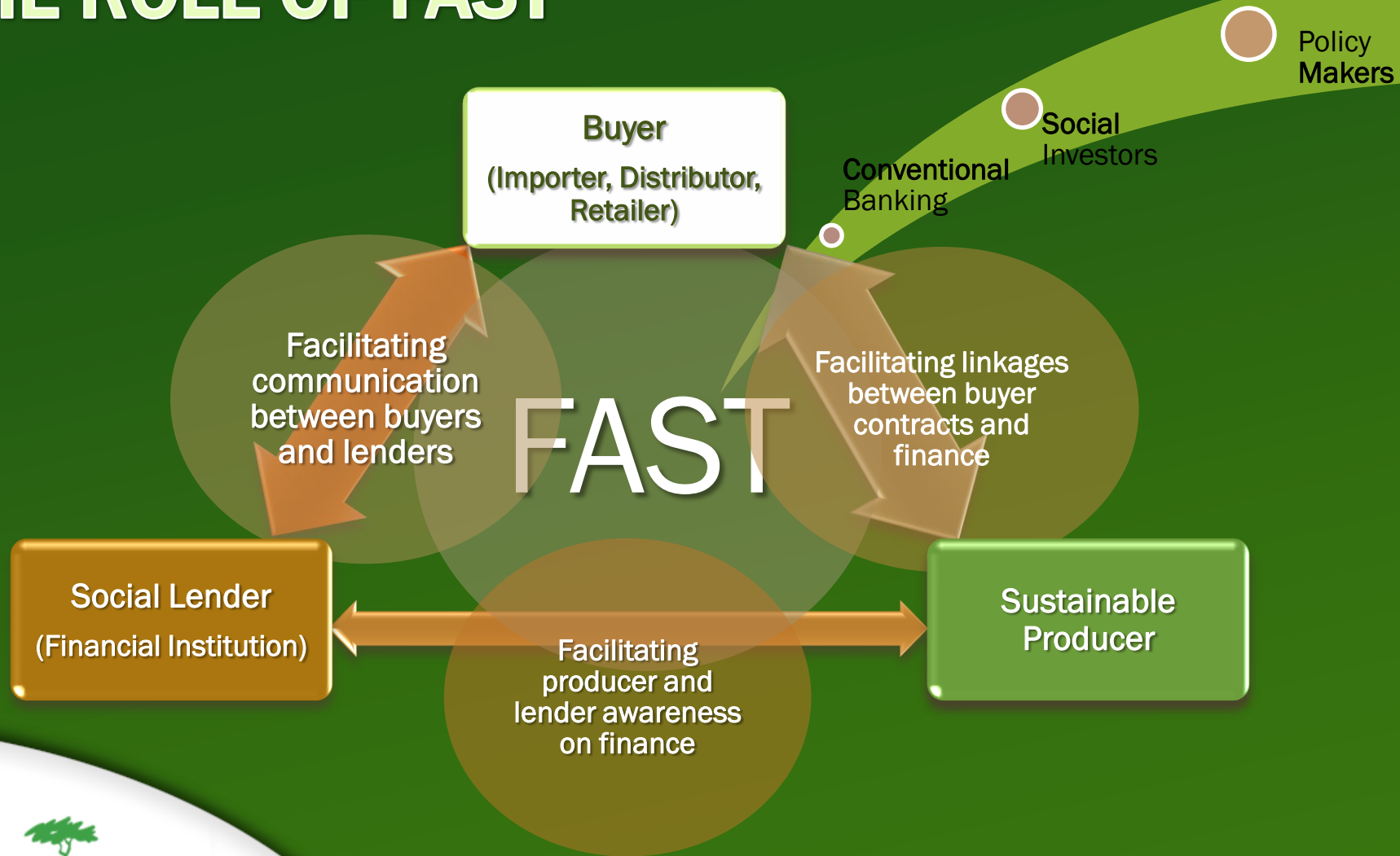


Photo by flickr.com (Sir Mervrs)



Building Businesses and Livelihoods through Sustainable Trade Finance.

THE ROLE OF FAST



FAST'S OPERATIONAL STRATEGY



FAST aims to achieve its mission through:

- + the development of joint projects
- + high level advocacy
- + enhanced transparency
- + improve the operational effectiveness of socially oriented lending institutions



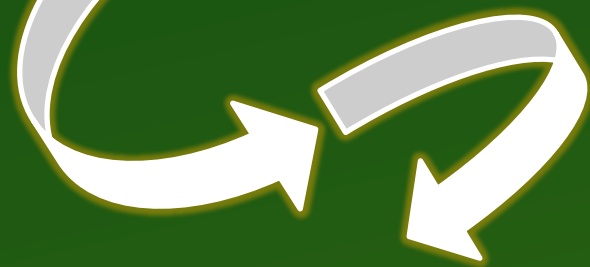
Building Businesses and Livelihoods through Sustainable Trade Finance.

CORE PROJECTS

- + Guarantee Facility (ongoing)
- + Social Impact Assessment Toolbox (ongoing)
- + SSME Online Lending Market Place (ongoing)
- + Financial Literacy Toolbox



GUARANTEE FACILITY



Concept:

- + *Expanding the reach of sustainable trade finance by improving access to credit guarantee schemes for social lenders*
- + *Development of a sector specific guarantee fund if needed*

Approach:

- + **Phase 1: Review of Existing Guarantee Services**
- + *Phase 2: Amendment of Existing Guarantee Services*
- + *Phase 3: Establishment of a Specific Guarantee Fund*



With the support of



Building Businesses and Livelihoods through Sustainable Trade Finance.

SOCIAL IMPACT ASSESSMENT TOOLBOX

Concept:

- + *Methodology and tools to equip socially-oriented lending institutions to monitor and report the social impact generated from their financial capital and services in the SSME sector*

Approach:

- + **Phase One: Research and Stakeholder Consultation**
- + *Phase Two: Methodology and Tools Development*
- + *Phase Three: Publicly Launch Program*



With the support of



Triodos Foundation

Building Businesses and Livelihoods through Sustainable Trade Finance.

SSME ONLINE LENDING MARKETPLACE

Concept:

- + *Web based information portal connecting Sustainable Small and Medium Enterprises (SSMEs) to lenders in the sustainable trade industry*

Approach:

- + *Project launch of Phase I: April 2009*
- + *Project Phase II and III: FAST Financial Platform*

With the support of



Building Businesses and Livelihoods through Sustainable Trade Finance.

FINANCIAL LITERACY TOOLBOX

Concept:

- + *The development and dissemination of financial literacy training tools and activities that help to advance the management capacity of SSME producers*

Approach:

- + *Phase One: Development of the Toolbox*
- + *Phase Two: Extension and Distribution*



UP COMING PROJECTS

- + Standardization of Due Diligence
 - + Syndicated Loans
- + Development of a credit rating tool



LATEST DEVELOPMENTS AND ACHIEVEMENTS



Building Businesses and Livelihoods through Sustainable Trade Finance.

MEMBERSHIP JANUARY, 2009

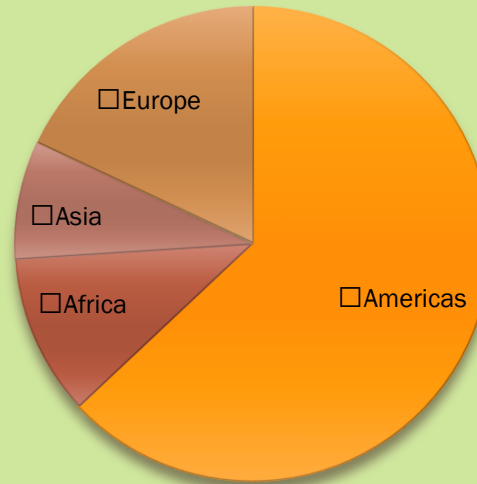
- + 110 members (Transfair USA, Sustainable Harvest, Root Capital, Calvert Foundation, Rabobank Agrifund, Proyecto CAMBio CABI)
- + 25 countries in North, Central and South America, Europe, Asia and Africa
- + Social and environmentally oriented financial institutions, producer groups, NGOs, social investors and other actors involved in the supply chain



Building Businesses and Livelihoods through Sustainable Trade Finance.

MEMBERSHIP JANUARY 2009

FAST members by region



FAST members by region

FAST members by region		
Americas	64%	70
Africa	12%	13
Asia	7%	8
Europe	17%	19
TOTAL	100%	110

PROVIDING ACCESS TO FINANCE

- + SCAA 2008
- + International Coffee Conference RAMACAFE 2008
- + EAFCA 2009.



PROVIDING ACCESS TO FINANCE

Directory of lenders

	<p><u>Stichting Triodos</u> <u>Sustainable Trade Fund</u></p> <p>www.triodos.com</p>
Head Office: Netherlands	Contact Person: Koert Jansen, Fund Manager
	Email: Koert.jansen@triodos.nl
Loan Amounts: Between 200 000 € and 1M € per facility.	
Specific Requirements: The fund offers trade finance facilities to producers and exporting organizations in developing countries and in countries in transition on the basis of actual export contracts with buyers in the West. A detailed application form can be obtained upon request.	
Sectors: Trade finance for perishables and non-perishables.	
Services: Trade finance facility.	
Countries Served: Developing countries and countries in transition.	

PARTNERSHIPS

- + Triodos Investment BV - Triodos Facet
- + Project CAMBIO (Central American Bank for Economic Integration GEF, PNUD)
- + Common Code for the Coffee Community Association (4C)



Building Businesses and Livelihoods through Sustainable Trade Finance.

ON THE HORIZON

- + Ongoing membership promotion
- + Continuous Project fundraising and implementation
- + Increasing awareness
- + FAST Annual General Assembly:
 - * Members will elect the Board of Directors to represent their interests in FAST . The meeting will allow FAST members to work on common objectives.
 - * April 17,2009. Atlanta, Georgia, USA (alongside the SCAA)
- + Expanding into Africa



Building Businesses and Livelihoods through Sustainable Trade Finance.

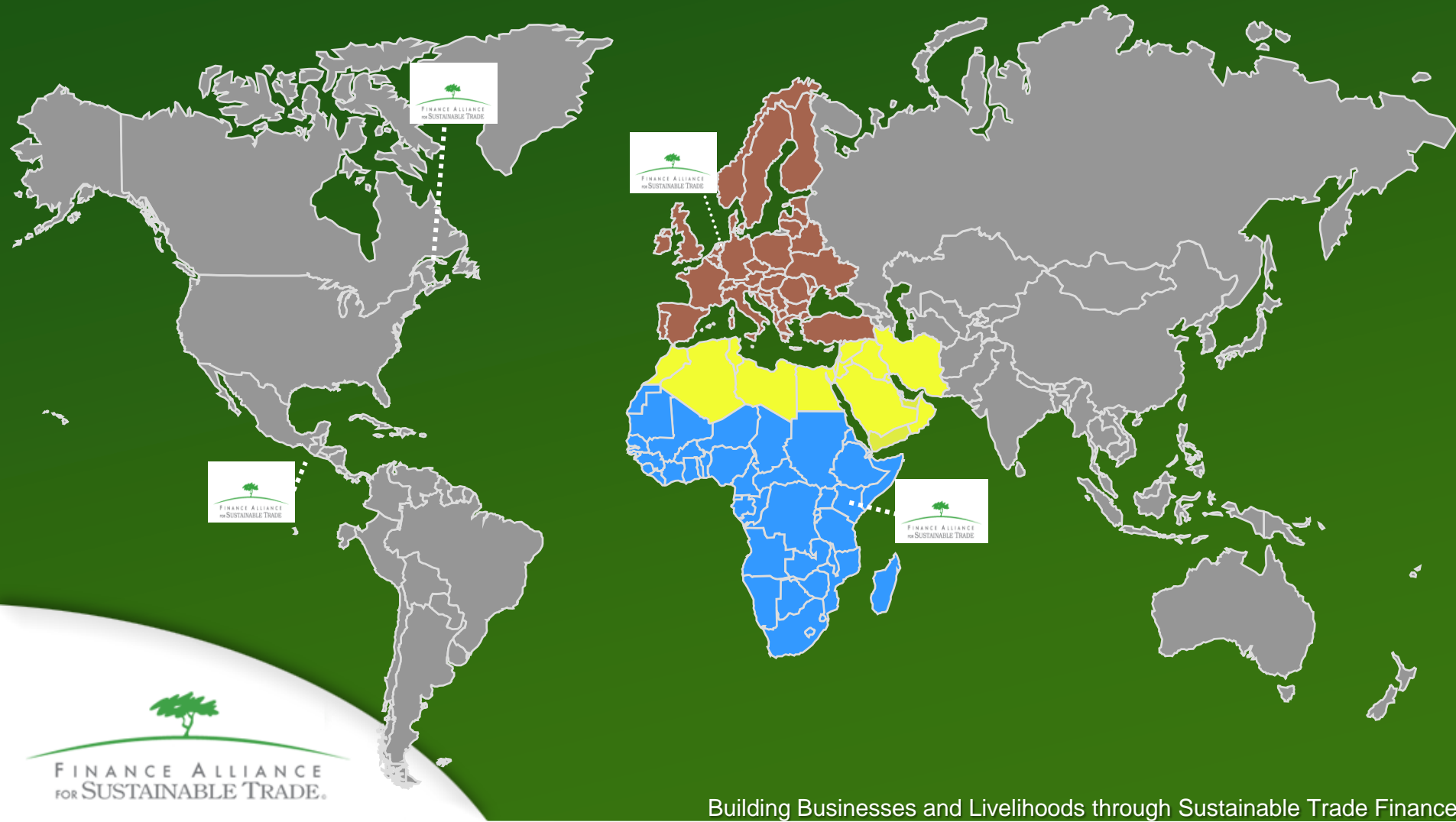
Step 1 (As from March 1st 2009)

- ❖ EMEA Regional Office in Amsterdam/NL
 1. Fundraising in Europe
 2. Project Support (tailoring for African Region)
 3. Establishing office in Nairobi/Kenya
- ❖ Foundation (not-for-profit/loss)



Building Businesses and Livelihoods through Sustainable Trade Finance.

The EMEA Region:



Building Businesses and Livelihoods through Sustainable Trade Finance.



Join FAST Today:
Now Accepting
Membership Applications

THANK YOU VERY MUCH FOR YOUR ATTENTION

Questions?

www.fastinternational.org

info@fastinternational.org



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Sustainable Finance: The Trade Finance Opportunity



PRESENTATION

Richard McLellan, Head, GFTN
Jason Potts, President, FAST

FAST & GFTN Goals

Transform capital flows so that preferential lending and credit terms are directed to responsible forestry operations to ensure longer term investments in responsible forestry practices, particularly in the world's most valuable and threatened forests.

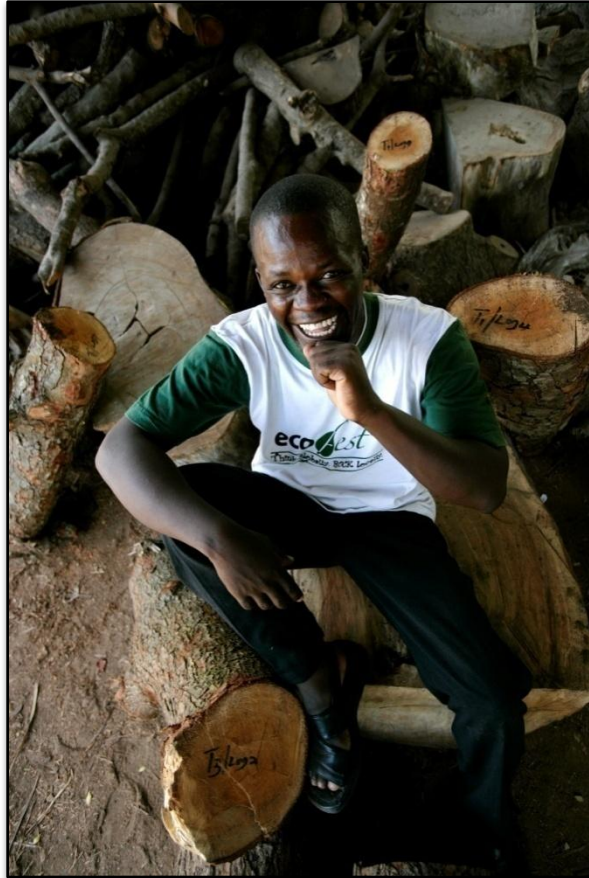


Challenges & Opportunities

- **Capital Flows: Increase financial capital flows in the forestry sector** - particularly for small- and medium-sized and community-based enterprises that practice responsible operations in the world's most valuable and threatened forests.
- **Responsible Lending: Support committed investors to avoid investments associated with illegal and irresponsible logging and trade practices**, while promoting investments that support responsible forest management and trade.
- **Facilitate Links: Facilitate linkages between financial institutions and responsible forest operators** - to increase long-term investments and preferential capital flow to responsible operators.



FAST Role



- Develop tools and trainings that improve sustainable SMEs access to finance
- Identify and promote financial opportunities for responsible forestry producers
- Adapt FAST tools to the forestry sector
- Develop a Forestry Guarantee Fund
- Organize experience exchanges between the FAST members already investing in sustainable trade in developing countries and financial institutions interested in responsible forestry projects

GFTN Role

- **Identify Capital Needs:** Identify the capital needs and existing barriers to finance of GFTN participants
- **Knowledge Sharing:** Share GFTN methodologies, tools and technical knowledge with FAST members
- **Institutional Support:** Support FAST in adapting and applying FAST tools to the forestry sector
- **Facilitate Links:** Promote financial opportunities available from FAST members to selected GFTN participants
- **Programme Development:** Support the development of a Forestry Guarantee Fund
- **Create Participation Opportunities:** Provide opportunities for FIs to contribute to the GFTN Responsible Forestry Finance program



FAST & GFTN Joint Roles



- **Organize joint events and cooperate on activities** related to promoting environmentally responsible finance in general and raising awareness of financial needs in responsible forest sector
- **Work to develop and implement tools and other materials** that improve access to capital for responsible forest operators
- **Facilitate links between GFTN participants and FAST financial institutions members** which are interested in financing responsible forest production and trade



Sustainable Finance: The Trade Finance Opportunity

FOR MORE INFORMATION VISIT:

gftn.panda.org

OR

www.fastinternational.org